



Teen Challenge International, Inc.

DBA Global Teen Challenge

Financial Statements

Year Ended September 30, 2011

TEEN CHALLENGE INTERNATIONAL, INC.
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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September 21, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Teen Challenge International, Inc.

We have audited the accompanying statement of financial position of Teen Challenge International, Inc. (a nonprofit organization) as of September 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen Challenge International, Inc. as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Behar, Reid, Melton, Brown & Taylor, CPAs

Behar, Reid, Melton,
Brown & Taylor, CPAs

TEEN CHALLENGE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 475,939
Accounts Receivable	236
Accounts Receivable, Affiliates	48,155
Prepaid Expenses	5,759
Inventory	1,073
Total Current Assets	<u>531,162</u>

PROPERTY AND EQUIPMENT

Furniture	9,491
Equipment	21,442
Total	<u>30,933</u>
Less: Accumulated Depreciation	<u>(14,881)</u>
Net Property and Equipment	<u>16,052</u>

TOTAL ASSETS \$ 547,214

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 6,269
Note Payable, Line of Credit	232,000
Total Current Liabilities	<u>238,269</u>

NET ASSETS

Unrestricted	(205,200)
Temporarily restricted	514,145
Total Net Assets	<u>308,945</u>

TOTAL LIABILITIES AND NET ASSETS \$ 547,214

The accompanying notes are an integral part of these financial statements.

TEEN CHALLENGE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Support	\$ 2,804,334	\$ 1,123,927	\$ -0-	\$ 3,928,261
Revenue				
Royalty Income	13,260	-0-	-0-	13,260
Book Sales, net of cost	458	-0-	-0-	458
Investment Income	4,957	-0-	-0-	4,957
Net Assets Released from Restrictions:				
Satisfaction of Usage Restrictions	932,771	(932,771)	-0-	-0-
TOTAL SUPPORT AND REVENUE	<u>3,755,780</u>	<u>191,156</u>	<u>-0-</u>	<u>3,946,936</u>
EXPENSES				
Program Service	3,747,507	-0-	-0-	3,747,507
Management and General	76,916	-0-	-0-	76,916
Fund Raising	8,357	-0-	-0-	8,357
TOTAL EXPENSES	<u>3,832,780</u>	<u>-0-</u>	<u>-0-</u>	<u>3,832,780</u>
CHANGE IN NET ASSETS	(77,000)	191,156	-0-	114,156
NET ASSETS AT BEGINNING OF YEAR	(128,200)	322,989	-0-	194,789
NET ASSETS AT END OF YEAR	<u>\$ (205,200)</u>	<u>\$ 514,145</u>	<u>\$ -0-</u>	<u>\$ 308,945</u>

The accompanying notes are an integral part of these financial statements.

TEEN CHALLENGE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 114,156
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,833
Changes in operating assets & liabilities:	
(Increase) Decrease in Accounts Receivable	(26,648)
(Increase) Decrease in Prepaid Expenses	642
(Increase) Decrease in Inventory	107
Increase (Decrease) in Accounts Payable	1,173
Increase (Decrease) in Accrued Expenses	(346)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>93,917</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Loan Repayments from Affiliated Organizations	18,765
Purchase of Furniture	(1,975)
Purchase of Equipment	(4,500)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,290</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Notes Payable, Line of Credit	98,000
Repayment of Note Payable, Line of Credit	(40,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>58,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS	164,207
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>311,732</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>475,939</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid during the year	\$ <u><u>9,881</u></u>
Income taxes paid during the year	\$ <u><u>-0-</u></u>

The accompanying notes are an integral part of these financial statements.

TEEN CHALLENGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Teen Challenge International, Inc. (the "Organization"), also known as Global Teen Challenge, is a Florida nonprofit corporation established during March 1995. Its purpose is to receive and administer funds and operate exclusively for religious, charitable, scientific, literary, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Among these purposes is pioneering new Teen Challenge Centers globally, training Teen Challenge workers, and promoting communication and fellowship between Teen Challenge Centers throughout the world. The purpose of Teen Challenge Centers can generally be described as follows, which is consistent with their mission statement:

To assist in the development and implementation of Teen Challenge programs worldwide.

The organization is committed to serving a wide variety of people in diverse cultural and economic settings who suffer emotional, spiritual, and physical needs that result from conditions beyond their personal control. Recognizing this diversity of conditions, the organization will respect the cultural and religious preferences of the peoples and countries it assists, and will never use religious persuasion or a profession of faith as a factor in distributing aid to needy people.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made and no allowance was deemed necessary for the year ended September 30, 2011.

Contributed Services

Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in

TEEN CHALLENGE INTERNATIONAL, INC.
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SEPTEMBER 30, 2011

the financial statements, as there is no objective basis of deriving their value. During the year ended September 30, 2011, contributed services received by the Organization that met this criteria totaled \$2,449,816, and have been recorded as part of “support” and “program expenses” in the accompanying statement of activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Teen Challenge International, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Teen Challenge International, Inc. has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donated Property

The Organization recognizes donations of real and personal property at their estimated fair values. The Organization receives assistance in the form of rent free usage of facilities. This rent free usage totaled \$94,500 during the year ended September 30, 2011, and has been recorded as part of “support” and “program expenses” in the accompanying statement of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At September 30, 2011 there was \$347,307 in deposits not FDIC or SIPC insured.

Inventory

Inventory is recorded at cost and consists of books held for resale.

Fair Value of Financial Instruments:

The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. The Organization believes that

TEEN CHALLENGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

the fair value of financial instruments, including cash and cash equivalents, accounts and notes receivable, notes payable and accounts payable and accrued liabilities, approximates their recorded value due primarily to the short-term nature of their maturities.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE B - RELATED PARTY TRANSACTIONS

The Organization's president currently serves as the president of the Teen Challenge of Florida, Inc. ("TCF"). During the year ended September 30, 2011, the Organization made payments of \$7,141 to TCF for reimbursements of expenses and payment for services.

The Organization received rent free usage of its facilities from TCF during the year ended September 30, 2011 with a fair market value of \$94,500.

Accounts receivable, affiliates is due from various Teen Challenge organizations for expenses the Organization paid on their behalf. This is a non-interest bearing receivable and repayment is anticipated currently.

TEEN CHALLENGE INTERNATIONAL, INC.
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NOTE C - CONCENTRATIONS

The Organization receives contributions from a major contributor, the Assemblies of God ("AG"), and other ministries affiliated with AG ("AG Affiliates"). During the year ended September 30, 2011, the Organization received \$69,294 and \$172,488 in donations from AG and AG Affiliates, respectively. The Organization also has an agreement with AG whereby the Organization makes contributions to AG equal to 5% of donations received by the Organization from AG Affiliates. During the year ended September 30, 2011, the Organization made contributions totaling \$6,593 to AG.

During the year ended September 30, 2011, the Organization received contributions totaling \$201,963 from other Teen Challenge organizations.

NOTE D - LINE OF CREDIT

The Organization has a \$300,000 unsecured bank line of credit expiring August 11, 2012. Interest is payable monthly and accrues at the bank's prime rate plus 1%. The balance as of September 30, 2011 is \$232,000.

NOTE E - COMPENSATED ABSENCES

The employees of the Organization are entitled to paid holiday, vacation, and sick days, depending on job status, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been reported in the accompanying financial statements. The policy is to recognize the cost of compensated absences when actually paid to employees.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the funding of Teen Challenge Centers and for the development of new Teen Challenge Centers globally. The restriction refers to the fact that the donors have specifically identified the Center that they wish to fund.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2012, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.